

Senate T&E Committee  
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SENATE LEGISLATIVE COMMITTEE  
ON TRADE AND ECONOMIC DEVELOPMENT

February 25, 1991Hearing Room 343  
3:00 P.M.State Capitol  
Salem, OR

Tapes 31 - 32  
Forest Products Industry

MEMBERS PRESENT:           SEN. WAYNE FAWBUSH, CHAIR  
                                  SEN. SCOTT DUFF  
                                  SEN. JEANNETTE HAMBY  
                                  SEN. JIM HILL  
                                  SEN. PEG JOLIN  
                                  SEN. EUGENE TIMMS

MEMBERS EXCUSED:

STAFF PRESENT:            JOSEPH CORTRIGHT, EXECUTIVE OFFICER  
                                  TAMIRA MILLER, POLICY ANALYST  
                                  JERI CHASE, OFFICE MANAGER  
                                  HOLLY BROWN, COMMITTEE ASSISTANT

WITNESSES:SENATOR BOB KINTIGH, DISTRICT 14  
                                  LAWRENCE PAPA, HORIZON LUMBER PRODUCTS INC.  
                                  CATHERINE MATER, VICE PRESIDENT, MATER ENGINEERING

NOTE: These minutes contain materials which paraphrases and/or summarizes statements made during this meeting. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 31, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:19 p.m.

SB 364, 365, and 366 (Forest Products) - Public Hearing

006       SEN. BOB KINTIGH: Presents testimony in favor of SB 364, 365 and 366 (EXHIBIT A).

045       CHAIR FAWBUSH: We hope to build a small organization to give away a lot of money.

063 SEN. KINTIGH: I have seen in recent years that schools have drifted away some from having practical

people in the field to having a corps of PhDs and experts at the campus.

070 SEN. TIMMS: Is Wood PIC becoming self supporting?

080 SEN. KINTIGH: Yes.

100 JOE CORTRIGHT: The Governor's budget includes \$532,000 for the federal forestry planning response.

115 SEN. DUFF: Some people in my district have requested more cooperation between the Governor's office and the US Forest Service.

124 LARRY PAPA: I work with a lot of small business that are being strangled by the banks. Primary mills and secondary manufacturing are closing down.

178 CHAIR FAWBUSH: What is the reason for these secondary businesses closing?

180 PAPA: Because of the slow down in the economy.

190 SEN. DUFF: Is this industry failing?

195 PAPA: Banks are tightening up making it more difficult for this industry to expand. Presents products that are created from Oregon wood.

357 PAPA: The beauty of the networking process is that there are really no rules to govern it.

366 PAPA: Presents testimony on SB 364 (EXHIBIT B).

TAPE 32, SIDE A

030 PAPA: Continues presentation of EXHIBIT B.

132 SEN. HAMBY: I am concerned with the commission's focus on current companies in the state and not any potential entrepreneurship ideas.

138 PAPA: I believe these companies have been around for a long time and provided a lot of revenue to the state. I do believe we should not be putting companies in direct competition with companies that already exist. The Secondary Wood Products Industry Commission should be for existing industry.

155 PAPA: Wood PIC says that there is already an organization that exists to do this job and the Competitiveness Commission would be in competition with that organization.

184 SEN. JOLIN: If you feel they are doing a good job why do you want us to create an additional body?

190 PAPA: The additional body should be created and staffed with industry personnel, instead of just government people.

198 SEN. JOLIN: Are you aware that the House has passed out of committee a commodities commission that is directly related to the wood industry?

200 PAPA: No.

206 SEN. TIMMS: Did you have a problem with supply?

210 PAPA: Yes, these mills told us that their lumber was being exported. They would rather export then sell within Oregon.

249 SEN. TIMMS: It sounds like what you want to do can be done through a commodity commission.

257 PAPA: I can't see that type of commission working immediately. If they prove to be beneficial to the industry the industry will support that effort.

272 SEN. TIMMS: Would you assess the value of the wood when it comes in as a natural resource to decide the tax?

280 PAPA: Some of these products are finished products. I am concerned exclusively with secondary wood products.

297 SEN. TIMMS: How can you develop a commission with such diverse sizes of corporations?

316 PAPA: That would be part of the Competitive Commission's initial responsibilities to determine how to determine how that tax should be established.

349 SEN. HAMBY: Would you consider something that is half concrete and half wood fiber a secondary wood product?

363 PAPA: If it is at least 50% wood, by volume or value, and requires further processing then it is.

TAPE 31, SIDE B

022 CATHERINE MATER: There have been two forms of definition to products. From primary to value add to secondary which Papa defines as the finished product and the other is primary to secondary to tertiary, which is the finished products. There will be misunderstandings as to what you are talking about. I think you are doing a disservice to the industry when you talk about limiting this to one level of product. There is a great deal of confusion among those in the wood products industry about what is out there and what the state is doing. Also a serious level of distrust and lack of confidence in whether the state will be able to help the wood products industry in the areas they with which they need help. Critical factors that people in the industry have to deal with are environmental regulations, safety regulations, workers compensation and the final conclusion was that overall

more focus group participants see government as a barrier to expansion than as an effective partner in helping the private sector adjust to the new timber supply situation. There is an enormous scope identified in SB 364. It needs to be focused more. Also the voucher system is a good concept but who does it is the critical question.

235 MATER: The best response we got from the focus group participants came from the Medford area. Those folks got so excited that they wrote later and asked if they could give time to this cause. It was triggered by Parson Pine who managed to utilize the trim ends for more profit. This got the rest of the manufacturers to talk about a shorts cooperative.

292 SEN. TIMMS: I think we should go back to the Northwest Policy Center Report and bring ourselves back to the basics.

310 MATER: I do not intend to be negative in any way. "I have admired and appreciated the work that Joe and the Joint Legislative Committee have been doing these many past months and have enjoyed my relationship with the committee and the work they have done. I think it is real important now to assess the product, the design of the product you are putting out and assess your consumers, understand what they buy, why they want to buy it, and what they are willing to buy and then design your product to fit that need."

320 SEN. DUFF: The wheat commission has a broad general statement like this too. But when you put the commissioners together they are the ones who define the mission, expenditure funds, and what is important in the industry. We don't want to make this too specific either.

333 MATER: If you can't do this well don't do it at all and it is going to take a lot of money. The products in the wood products industry are very different.

363 CHAIR FAWBUSH: We want to leave some of those specifics up to the commission.

376 MATER: This needs to be selective enough to allow the industry to choose whether they want to participate or not.

429 CORTRIGHT: Present overview of Wood Products Competitiveness Commission (EXHIBIT C).

458 CHAIR FAWBUSH adjourns the meeting at 4:47 pm.

Submitted by,

Jeri Chase

Office Manager

EXHIBIT SUMMARY

EXHIBIT A - Testimony in favor of SB 364, 365 & 366, submitted by Senator Bob Kintigh, pgs. 2.

EXHIBIT B - Testimony in favor of SB 364, submitted by Lawrence Papa, pgs. 7.

EXHIBIT C - Overview on SB 364, submitted by Joe Cortright, pgs. 6.